

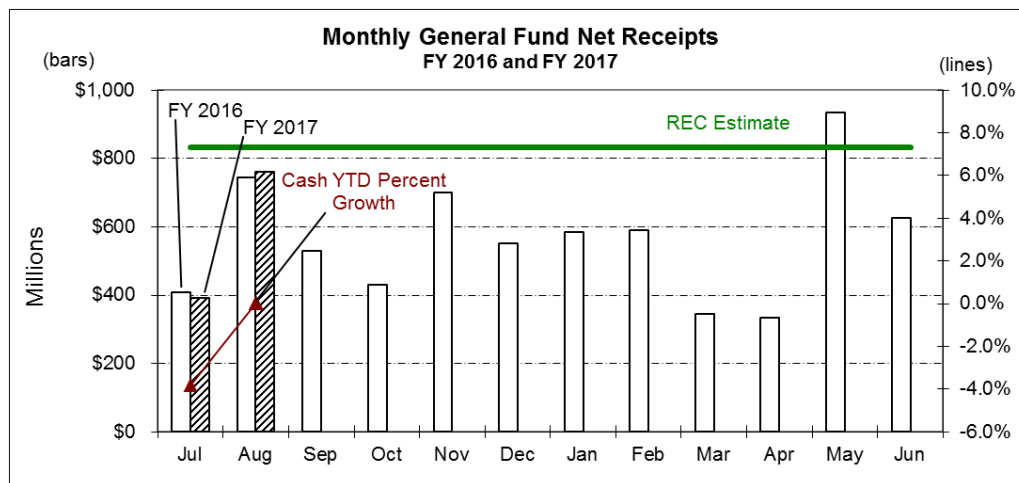
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: September 1, 2016

### Monthly General Fund Receipts through August 31, 2016

The attached spreadsheet presents FY 2017 General Fund total net receipts with comparable figures for actual FY 2016. The figures can be compared to the FY 2017 adjusted estimate of \$7.284 billion set by the Revenue Estimating Conference (REC) on March 16, 2016, and modified primarily by the enactment of [HF 2433](#) (IRC Update and Manufacturing Consumables Act) and other revenue adjustment Acts. The FY 2017 adjusted estimate is an increase of \$483.5 million (7.1%) compared to actual FY 2016 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



### Overview of Current Situation

August 2016 net General Fund revenue was \$16.1 million (2.2%) above the August 2015 revenue level. Cash fiscal year-to-date net receipts are \$0.5 million higher than FY 2016.

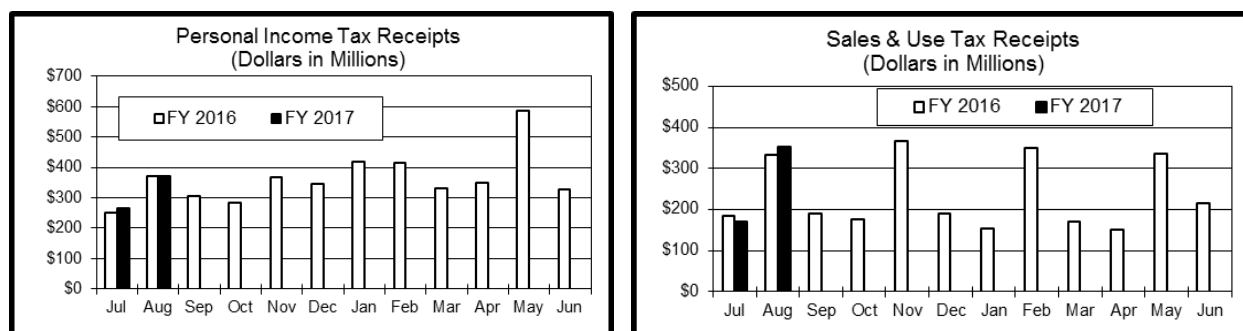
Major sources of revenue and their contribution to the FY 2016 year-to-date revenue change include:

- Personal income tax (positive \$16.1 million, 2.6%)
- Sales/use tax (positive \$6.2 million, 1.2%)
- Corporate tax (negative \$6.5 million, -20.2%)
- Other taxes (negative \$3.9 million, -5.2%)

- Other receipts (negative \$4.0 million, -9.7%)
- Tax refunds not including school infrastructure refunds (negative \$1.3 million)
- School infrastructure sales/use tax refunds (negative \$6.1 million)

**Personal Income Tax** revenue received in August 2016 totaled \$372.5 million, an increase of \$0.3 million (0.1%) compared to August 2015.

The FY 2017 REC income tax adjusted estimate of \$4.754 billion represents a projected increase of 9.2% compared to actual FY 2016. Through August 2016, personal income tax receipts have increased \$16.1 million (2.6%). By subcategory, withholding payments increased \$22.8 million (4.0%), estimate payments decreased \$5.1 million (-14.1%), and payments with returns decreased \$1.6 million (-8.1%). The following chart compares FY 2017 monthly income tax receipts from the three personal income tax subcategories with FY 2016.



**Sales/Use Tax** receipts received in August 2016 totaled \$352.7 million, an increase of \$20.3 million (6.1%) compared to August 2015.

The REC adjusted estimate for FY 2017 sales/use tax receipts is \$2.866 billion, a projected increase of 2.0% compared to actual FY 2016. Through August 2016, sales/use tax receipts increased \$6.2 million (1.2%). The preceding chart compares FY 2017 monthly sales/use tax receipts with FY 2016.

**Corporate Tax** receipts received in August 2016 totaled \$10.1 million, a decrease of \$2.3 million (-18.5%) compared to August 2015.

The REC adjusted estimate for FY 2017 corporate tax revenue is \$ 520.1 million, a projected decrease of 0.1% compared to actual FY 2016. Through August 2016, corporate income tax receipts decreased \$6.5 million (-20.2%).

**Other tax receipts** received in August 2016 totaled \$61.0 million, a decrease of \$0.7 million (-1.1%) compared to August 2015.

The REC estimate for FY 2017 other tax revenue is \$272.7 million, a projected decrease of 2.3% compared to actual FY 2016. Through August 2016, other tax receipts decreased \$3.9 million (-5.2%).

**Other receipts** (nontax receipts) received in August 2016 totaled \$15.2 million, a decrease of \$2.8 million (-15.6%) compared to August 2015.

The REC estimate for FY 2017 other receipts revenue is \$294.0 million, a projected decrease of 1.0% compared to actual FY 2016. Through August 2016, other receipts decreased \$4.0 million (-9.7%).

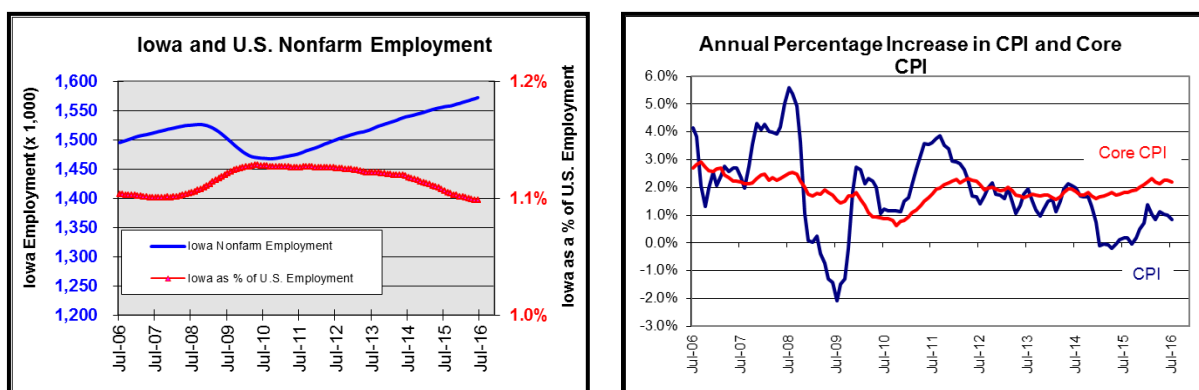
**Tax Refunds** issued in August 2016 totaled \$6.7 million, a decrease of \$7.0 million compared to August 2015. In addition to regular refunds, school infrastructure refunds totaled \$44.7 million, an increase of \$5.8 million compared to August 2015.

## Status of the Economy

Iowa nonfarm employment was reported at 1,599,600 for the month of July 2016 (not seasonally adjusted), 23,100 (1.5%) higher than July 2015.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,570,500, resulting in an annual average Iowa nonfarm employment level that is 44,100 above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010 and currently is at its lowest level since January 1989.



The Consumer Price Index (CPI-U) through July 2016 was 240.6 (1983/84=100). Consumer prices decreased 0.2% in July (not seasonally adjusted) and the annual rate of inflation increased to 0.8%, a decrease of 0.2% from June.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.02% in July and totaled 2.2% year-over-year. The annual core inflation rate has exceeded 2.0% for nine consecutive months. The core inflation rate had not been consistently above 2.0% since July 2012. For the two components excluded from the core rate, energy prices are down 10.9% year-over-year, while food prices are up 0.3%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2017 vs. FY 2016 July 1 through August 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 2016 Actual Compared to FY 2017 REC Estimate		
	FY 2016	FY 2017	Year-to-Date % Change	August % Change	Actual FY 2016	Estimate FY 2017	Projected % Change
Personal Income Tax	\$ 623.5	\$ 639.6	2.6%	0.1%	\$ 4,355.4	\$ 4,754.0	9.2%
Sales/Use Tax	516.3	522.5	1.2%	6.1%	2,810.7	2,866.0	2.0%
Corporate Income Tax	32.1	25.6	-20.2%	-18.5%	520.5	520.1	-0.1%
Inheritance Tax	16.6	13.6	-18.1%	-35.8%	91.8	101.9	11.0%
Insurance Premium Tax	52.3	53.1	1.5%	6.7%	119.7	106.7	-10.9%
Cigarette/Tobacco Tax	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
Beer/Liquor Tax	2.8	2.7	-3.6%	-14.3%	14.1	14.5	2.8%
Franchise Tax	3.2	1.6	-50.0%	0.0%	52.0	48.2	-7.3%
Miscellaneous Tax	0.0	0.0	0.0%	0.0%	1.5	1.4	-6.7%
Total Gross Taxes	\$ 1,246.9	\$ 1,258.8	1.0%	2.3%	\$ 7,965.7	\$ 8,412.8	5.6%
Institutional Payments	2.9	1.9	-34.5%	-47.1%	12.1	5.8	-52.1%
Liquor Profits	18.1	17.5	-3.3%	4.1%	112.3	104.3	-7.1%
Interest	0.6	0.3	-50.0%	0.0%	4.1	4.4	7.3%
Fees	4.5	3.7	-17.8%	3.4%	28.0	26.4	-5.7%
Judicial Revenue	9.7	6.3	-35.1%	-63.9%	97.7	112.9	15.6%
Miscellaneous Receipts	5.3	7.4	39.6%	-4.3%	42.7	40.2	-5.9%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
TOTAL GROSS RECEIPTS	\$ 1,287.9	\$ 1,295.8	0.6%	1.9%	\$ 8,262.6	\$ 8,706.8	5.4%
Accrued Revenue-Net					16.0	24.7	
Tax Refunds *	-57.9	-59.2	2.2%	-51.1%	-1,018.3	-975.0	-4.3%
School Infrast. Refunds *	-78.3	-84.4	7.8%	14.9%	-460.0	-472.7	2.8%
TOTAL NET RECEIPTS	\$ 1,151.8	\$ 1,152.3	0.0%	2.2%	\$ 6,800.3	\$ 7,283.8	7.1%
* For the Year-to-Date columns, refunds are presented on a cash basis. For FY 2016 Actual and FY 2017 Estimate, refunds are presented on a fiscal year basis. The FY 2016 Actual column is not yet final and the Accrued Revenue-Net, Tax Refunds, and School Infrast. Refunds numbers are the adjusted REC estimate numbers.							